

FY08 BUDGET SUMMARY

The total state budget for FY08 is \$29.7 billion and represents a 3.13 percent increase over the last fiscal year. This amount includes \$8.4 billion in federal revenue for hurricane recovery. Without the federal recovery funds, the total state budget is \$21.3 billion.

Total Means of Financing changed little from the FY07 Existing Operating Budget of \$28.8 billion. The FY08 Total Means of Financing of \$29.7 billion is over one-half federal funds in the amount of \$15.8 billion, which is an increase of roughly \$239 million.

State general funds represent the largest single change in revenue as it grew by \$1.3 billion dollars from the previous year. Statutory dedications dropped by almost \$600 million to \$3.9 billion; Fees and Self-generated Revenues total \$1.4 billion, which represents little change from FY07.

SEVERAL MAJOR INITIATIVES FUNDED IN THE FY08 BUDGET INCLUDE:

Statewide Salary Increases

- \$157.6 million for teachers (\$2,375 to reach the Southern average)
- \$142.6 million for state employees (\$1,500)
- \$35 million for adult and juvenile correctional guards and probation and parole officers (\$6,000 total)
- \$45 million for support workers (\$1,000)
- \$30 million for higher education faculty pay (5 percent average increase)
- \$28.5 million for supplemental pay for local law enforcement and fire protection
- \$4.2 million for state police (\$4,300 total) and commissioned officers (\$3,000 total)
- \$0.4 million for wildlife enforcement agents (\$3,000 total)

Pre-K – 12 Education Initiatives (in addition to teacher/support pay raises)

- \$199 million increase in the MFP - Minimum Foundation Program
- \$26.5 million for expansion of LA-4 Early Childhood Education program, to cover all at-risk children in Louisiana (an additional 5,000 children)
- \$15 million for High School Redesign to better prepare students for college and the workforce (additional \$3 million for dual enrollment at Regents)
- \$5 million for a pilot program to provide laptop computers to 6th graders

Higher Education Initiatives (in addition to faculty pay increase above)

- \$99 million to fully fund the higher education formula so that all institutions are funded at 100 percent of the average state support provided to Southern Regional Education Board peer institutions.

- \$17 million in flexible funding for institutions already at full formula
- \$15 million in GO Grants to establish a need-based scholarship program.

Health Care Initiatives

- \$87 million for non-rural community hospital pool to address the provision of health care services to the uninsured outside of the traditional safety net hospitals
- \$64 million to increase Medicaid reimbursement rates for physicians to improve access to health care services
- \$54 million for 1,500 additional New Opportunities Waiver slots for disabled persons
- \$36 million for Health Care Redesign
- Additional \$35 million for Mental Health services
- Additional \$24 million for Addictive Disorders Services

SUPPLEMENTAL APPROPRIATIONS AND EXPENDITURE LIMIT

In addition to the general operating budget, significant FY06 and FY07 sources of revenue were available for appropriation during the 2007 Regular Session subject to the passage of an increased Expenditure Limit for FY07.

The increased Expenditure Limit authorization is contained in HCR10. The resolution established the FY07 limit at \$12,196,877,089, an increase of \$1.9 billion, and made way for the appropriations contained primarily in House Bill 765.

The increased expenditure authority was necessary to spend additional revenue recognized by the Revenue Estimating Conference in excess of the FY07 expenditure limit (\$10,318,239,142) in place when the FY07 budget was enacted. Specifically, the state was in receipt of an \$827 million FY06 year-end surplus and additional revenue for FY07 in excess of \$1.5 billion.

The largest single initiative to receive surplus revenue was highway improvements in the amount of \$600 million. Next, The Road Home Program received close to \$375 million in excess revenue to address the projected \$3 - \$5 billion shortfall in that program.

Responding to federal requests that the state provide additional *state* resources to address the Road Home shortfall, a total of \$1 billion was provided from funding sources as follows:

- \$305.5 million from the return of state match paid to FEMA or deposited in the registry of the court for payment to FEMA.
- \$267 million in Community Development Block Grant (CDBG) funds previously allocated to provide for FEMA eligible costs and for ineligible costs for state building reconstruction which will be replaced with state funding.
- \$300 million in CDBG funds previously allocated for land acquisition, architectural/engineering fees, and construction of the Medical Center of Louisiana at New Orleans that will be replaced with state funding.

- \$67 million from FY2006-2007 state funds.
- \$60.5 million in other reallocations of CDBG funds.

Coastal restoration projects received \$200 million from the FY06 surplus, and the Mega-Project initiative within the Department of Economic Development received \$150 million to close large-scale economic development projects. Specifically, \$50 million of the \$150 million Mega-Project initiative is to be used for the Cyber Innovation Center, a research park supporting Air Force Cyber Command at Barksdale Air Force Base.

Additionally, several statewide initiatives in hurricane recovery, education, economic development, and health care were funded as listed below:

<u>LSU Health Care Services Division - Medical Center of Louisiana at N.O.</u>	<u>\$75 m</u>
<u>Port Construction and Development</u>	<u>\$42 m</u>
<u>Community Primary Health Care Clinics</u>	<u>\$42 m</u>
<u>Louisiana Cancer Research Consortium</u>	<u>\$38 m</u>
<u>LSU Electronic Medical Records</u>	<u>\$30 m</u>
<u>Deferred Maintenance at Higher Education Facilities</u>	<u>\$30 m</u>
<u>Central Louisiana State Hospital</u>	<u>\$27 m</u>
<u>Louisiana Housing Finance Agency</u>	<u>\$25 m</u>
<u>K-12 Classroom-based technology</u>	<u>\$25 m</u>
<u>City of New Orleans Governmental Entities for hurricane recovery</u>	<u>\$23 m</u>
<u>UNO Foundation for NASA</u>	<u>\$20 m</u>
<u>LSU Health Care Services Division Acquisition of Vista Hospital in Baton Rouge</u>	<u>\$15 m</u>
<u>Storm Recovery for Higher Education Institutions</u>	<u>\$15 m</u>
<u>La. Community and Technical Colleges technology upgrades</u>	<u>\$15 m</u>
<u>North Louisiana LSU Health Sciences Center - Rural Hospital</u>	
<u>Medical Home Network</u>	<u>\$13 m</u>
<u>Exhibition Authority and N.O. Convention Bureau</u>	<u>\$12 m</u>
<u>Louisiana Tech Research Park</u>	<u>\$12 m</u>
<u>Endowed Chairs and Professorships</u>	<u>\$11 m</u>
<u>Rural Health Clinics</u>	<u>\$9 m</u>
<u>University of La. System technology upgrades</u>	<u>\$5 m</u>
<u>Franklin Farms Industrial Mega Site</u>	<u>\$5 m</u>

SELECTED FY08 DEPARTMENTAL FISCAL HIGHLIGHTS

01 — EXECUTIVE DEPARTMENT

Executive Office

The FY08 budget included an additional \$7.5 million for the Louisiana Indigent Defender Assistance Board Program, bringing total funding to \$28.1 million.

- House Bill 436 creates the Louisiana Public Defender Fund and House Bill 1 provides for placing the \$28 million into the new fund upon enactment of HB436.
- Other Indigent Defender related legislation includes Act 95 (House Bill 393), which provides \$514,005 funding for the newly created Louisiana Indigent Parent Representation Fund, and also provides \$250,000 additional funding to provide assistance for representation of children in child protection cases through the Mental Health Advocacy Service.

A total of \$11.5 million was added for the Louisiana Interoperability Communications Fund, which brings money forward from a FY07 BA-7 (\$9.8 million) for a total of \$21.3 million.

- These monies will be used to complete the process of installing communications and software systems to integrate the various radio and cellular systems in place among first responders and other disaster response agencies, including sheriffs, municipal police, ambulance/EMS services, and parish and municipal departments and agencies throughout the state.

Division of Administration

- \$10.1 million was added for planning, development, and implementation of a new integrated statewide financial system; the three to five year total project cost is estimated at \$70 million.
- \$2.4 million and 35 positions were added to the Office of Facility Planning to address additional workload associated with rebuilding the state's hurricane damaged or destroyed infrastructure in accordance with FEMA and other federal restoration programs.

Office on Women's Policy

- \$1.6 million was added to the Office on Women's Policy for additional funding for domestic violence programs statewide – to be allocated equally among all 64 parishes for services.

04 — ELECTED OFFICIALS

Secretary of State

- \$5.7 million was provided for increased compensation for commissioners-in-charge and certified commissioners who serve at polling places on Election Day, pursuant to House Bill 347, which was passed by the legislature.
- \$1.9 million was added to fully fund statewide elections in FY08.
- \$1.2 million in Federal Funds was provided to further implement the Help America Vote Act (HAVA) of 2002, enhancing election information technology projects and voter education efforts, and addressing voter accessibility issues.
- \$0.2 million was added for increased compensation of registrars of voters and their chief deputies and confidential assistants, pursuant to Act 254 (Senate Bill 103), which was passed by the Legislature.

Department of Insurance

An investment of \$100 million was made to improve the property insurance marketplace in Louisiana via the deposit of FY07 revenues into the Insure Louisiana Incentive Program Fund. The Insure Louisiana Incentive Program will issue matching capital fund grants up to an individual limit of \$10 million, upon the approval of the Joint Legislative Committee on the Budget, to insurers writing new property insurance in Louisiana.

05 — DEPARTMENT OF ECONOMIC DEVELOPMENT

Several major statewide initiatives were appropriated for FY08, including the \$150 million Mega-project fund and \$20 million to the UNO Foundation for NASA equipment acquisitions and facility improvements via the Office of Business Development. Other significant changes include:

- \$10 million for the Economic Development Rapid Response Program.
- \$5.5 million for advertising, promotion, and marketing initiatives
- \$3.8 million total for wet labs in Baton Rouge, New Orleans, and Shreveport.
- \$3.3 million for the Northrop Grumman Project.
- \$2.8 million for the Louisiana Tech Park in Baton Rouge.
- \$2.1 million for the Bulk Rice Facility of Louisiana.
- \$2.5 million from LEDC funds for workforce training.

07 — DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT

Parish Transportation Program (Located in Schedule 20 of the Budget)

The Parish Transportation Program provides an additional \$1 million over the prior fiscal year for a total of \$48.9 million. The additional funding is provided to the Mass Transit Program added by the Senate. The total funding is appropriated as follows:

- The Parish Road Program, \$40 million;
- Mass Transit Program, \$5.9 million; and,
- The Off-system Roads and Bridges Match Program, \$3 million.

The FY07 appropriation was \$8.8 million over the prior fiscal year from additional funds placed into the Parish Road Program component of the Parish Transportation Program.

Supplemental Appropriations in House Bill 765

House Bill 765 provides for a series of supplemental capital outlay appropriations to DOTD.

- The bill includes \$150 million for the Highway Program, allocating \$60 million to the I-49 North project and \$90 million for construction projects contained in the latest approved highway program.
- The bill also provides a supplemental capital outlay appropriation of \$35 million for the Port Construction and Development Priority Program.
- The bill further appropriates \$450 million from the FY06 surplus to the department for the Highway Priority Program. The funds will be used on both those projects currently scheduled in the current year for which funding is unavailable and those that can be advanced from the FY08 and FY09 Highway Priority Program, and on pre-construction costs for essential capacity projects.

08 — DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS

08A — CORRECTIONS SERVICES

Correctional Guards and Probation and Parole Officers will receive a \$6,000 pay raise for FY08 at a total cost of about \$40 million. (\$4,500 department + \$1,500 state employee = \$6,000)

- Louisiana ranks last in the South for starting correctional officers' pay (starting pay is about \$18,400 vs. \$24,400 Southern average).

- Louisiana’s probation and parole officers have the third-highest caseload in the South (starting pay is about \$24,000).

Other significant items in Corrections’ budget include:

- \$8.8 million and 259 positions for a 273-bed skilled nursing/geriatric health care unit at Hunt Correctional Center.
- \$3.9 million for 60 probation and parole officers to supervise sex and violent offenders.
- \$3.5 million for the department to purchase the Steve Hoyle Rehab Center in Tallulah instead of continuing to rent it. Technically, the funding for this buy-out is in Schedule 20-923, Corrections Debt Service.

08B – PUBLIC SAFETY SERVICES

Statewide Construction Code

- \$3.5 million from the State Emergency Response Fund is provided for FY08 to assist local governments with implementation of the new building code.

Additional funding for Crime Labs

- An increase of eight (8) additional analysts and \$635,909 was added for the State Crime Lab.
- \$2 million was appropriated for the four regional crime labs (\$500,000 each to the Acadiana Crime Lab, New Orleans Crime Lab, Southwest Louisiana Crime Lab, and North Louisiana Crime Lab).

Trooper Pay Raises

- State Police troopers will receive a \$4,300 pay raise for FY08 (\$1,500 state employee raise + \$1,500 salary survey recommendation + \$1,300 to ensure troopers are the highest paid law enforcement officers in the state). DPS commissioned officers will receive a \$3,000 pay raise for FY08 (\$1,500 state employee raise + \$1,500 salary survey recommendation).

08C — YOUTH SERVICES

Increased Medical Services for Juveniles

- \$3 million is appropriated for FY08 to increase the contract with LSU Health Science Center for medical services.

Bridge City Correctional Center — LAMOD Transition

- \$4.7 million and 72 positions are provided for FY08 to transition Bridge City to the “Louisiana Model” (LAMOD), which features smaller dorms and a “homelike” environment. Five dorms housing 12 juveniles each will be added.

09 — DEPARTMENT OF HEALTH AND HOSPITALS

Medicaid Program

The FY08 budget for the Medicaid program is \$6.2 billion — an increase of \$843 million over the FY07 projected expenditures.

- Adjustments for increases in Medicaid reimbursement rates, for growth in projected service utilization and cost, and to annualize FY07 programmatic expansion into FY08 totaled roughly \$548 million.
- The legislature also added approximately \$54 million for 1,500 additional New Opportunities Waiver (NOW) slots to continue efforts to address the waiting list for community-based services for the disabled.
- The FY08 budget includes \$27 million to expand the Medicaid program to provide health care to additional children.
- Over \$25 million was added to the budget for FY08 to begin the implementation of health care redesign and the medical home care delivery system for Medicaid recipients and the uninsured.
- Approximately \$24 million was added to the budget for FY08 to expand the Medicaid program to offer coverage opportunities to low-income, non-working disabled individuals.
- To respond to the need for community-based services to provide an alternative to nursing homes, over \$18 million was added for 1,250 additional Elderly and Disabled Adults Waiver slots in FY08.

Mental Health Services

To address the dire need for mental health services throughout the state, \$35 million was added to the budget for FY08 to enhance inpatient, outpatient, and community mental health services statewide, including mental health emergency room expansions, crisis intervention and respite services, and acute psychiatric beds to rebuild inpatient capacity.

Addictive Disorder Services

The FY08 budget includes \$24 million in additional funding for the treatment and prevention of addictive disorders, including 60 detox beds, 74 substance abuse beds, 30 co-occurring disorders beds, and full funding of the Access to Recovery program.

State Hospitals

The projection of total revenue collections for the Louisiana State University Health Care Services Division in FY08 is \$946 million. This projection includes over \$167 million in growth over the FY07 budget.

Approximately \$75 million in state funding was appropriated in FY07 for land acquisition and planning for the construction of the replacement facility for the Medical Center of Louisiana at New Orleans in collaboration with the U.S. Department of Veterans Affairs replacement of its hospital in New Orleans.

10 — DEPARTMENT OF SOCIAL SERVICES

Support Enforcement Incentive Funds

- As of October 2007, the federal government will require Support Enforcement Incentive Funds to be matched with state funds. Previously, the feds allowed the funds to be used to match with other federal funds. \$3.3 million was provided for FY08 for state funding for Support Enforcement.

Reimbursement Rate Increase for Foster Parents

- An additional \$4.3 million was provided for FY08 to help increase the reimbursement rate for foster parents and residential care providers.

Additional Positions in Child Welfare Services

- A total of \$1.8 million and 50 additional positions are recommended for FY08.

TANF Initiatives

- The TANF program is funded at \$73.7 million for FY08. This is roughly a 7 percent reduction from FY07's \$79.3 million.

11 — DEPARTMENT OF NATURAL RESOURCES

CIAP and CWPPRA

- \$25.6 million in federal funding is provided for FY08 for the Coastal Impact Assistance Program (CIAP) and the Coastal Wetlands Planning, Protection, and Restoration Act (CWPPRA) to be used for coastal restoration activities.

Underwater Obstruction Cleanup

- \$1.5 million is provided for FY08 for cleanup of underwater debris caused by Hurricanes Katrina and Rita.

Supplemental Appropriations

- House Bill 765 appropriated \$200 million from FY06 surplus funds, of which \$147 million was appropriated to DNR and \$53 million to DOTD. This money will be used for coastal restoration and hurricane protection projects.

13 — DEPARTMENT OF ENVIRONMENTAL QUALITY

Waste Tire Fund Arrearages

- A total of \$3.5 million is provided in one of the supplemental appropriation bills, House Bill 953, for back payments to waste tire processors.

14 — DEPARTMENT OF LABOR

- \$5.5 million in dedicated funds for the Incumbent Worker Training Fund Program budget authority to support statewide, demand-occupation training programs.
- Increases federal funding by \$12.7 million for the Louisiana Claims and Tax System (LaCaTS) to modernize the Unemployment Insurance (UI) benefits process.

16 — DEPARTMENT OF WILDLIFE AND FISHERIES

National Marine Fisheries Service Grant

- A total of \$14.9 million in federal funds is provided for FY08 for the restoration of Louisiana fisheries damaged by Hurricanes Katrina and Rita. The total grant amount is \$53 million to be awarded over five years. The first year of the grant was FY07 when \$16.1 million was awarded.

Aquatic Weed Control Expansion

- \$3.8 million and four (4) new positions are provided for FY08 to expand aquatic weed control efforts statewide.

19 — HIGHER EDUCATION & DEPARTMENT OF EDUCATION

HIGHER EDUCATION

Major budget issues include:

- \$15 million in GO Grants to establish a need-based scholarship program for approximately 10,000 college freshmen.
- \$15 million for technology infrastructure conversion upgrades in the Louisiana Community and Technical Colleges System
- \$4.25 million for the Dual Enrollment Initiative (Note: tied to High School Redesign in K-12). Allows high school juniors and seniors to earn postsecondary credit while still in high school.

Major statewide additions to the higher education budget for new and expanded adjustments of \$211 million include:

- \$99 million to fund those institutions below formula funding to their peer average;
- \$17 million for a three-percent funding allocation for those institutions already at full formula funding;
- \$39 million to fund mandated cost increases for retirement, health care and merit increases;
- \$30 million for an average five-percent faculty salary increase; and,
- \$27 million for a pay increase for state employees working in higher education.

Major non-statewide adjustments to the budget of \$26.7 million include:

- \$10 million for faculty recruitment, retention and operational recovery at storm-affected institutions;
- \$5 million for the Pathways to Construction employment initiative;
- \$3.2 million for the Louisiana Immersive Technologies Initiative (LITE) at ULL;
- \$3 million for various research initiatives at Pennington;
- \$2.5 million for the Healthcare Workforce Development Initiative;
- \$2 million for the Community and Technical College operational pool; and,
- \$1 million for the final year of increased operations for the ULM School of Pharmacy.

PRE-K – 12 EDUCATION:

Significant budget issues in K-12 education include:

- \$199 million increase in the MFP. The Legislature has fully funded K-12 education costs for FY08.
- \$157.5 million pay raise to bring Louisiana's teachers to the SREB average (\$2,375 increase per teacher).
- \$43.8 million for a support worker pay raise (\$1,000 increase per worker --- originally \$750, but the Senate Finance Committee added another \$250).
- \$26.5 million expansion of the LA-4 Early Childhood Education program, enough to cover all at-risk children in Louisiana. Increase will cover an additional 5,000 children.
- \$10.7 million for the Jefferson, Cameron and Bogalusa school districts to offset projected MFP losses in FY08 and aid in hurricane recovery efforts.
- \$15 million for High School Redesign to better prepare students for college and entering the workforce.
- \$5 million for pilot program to provide laptop computers to 6th graders.
- \$4.8 million for Summer School Remediation.
- \$1.5 million for payment to teachers, school psychologists and school counselors who gain national certification within their professions.
- \$1 million for a New Orleans initiative to match private foundation funds to increase the number of principals in that city's schools.
- \$25 million for K-12 Classroom Technology, contained in FY07 supplemental appropriations.

- \$1 million to provide inducement payments to certified teachers to work in the state's local school systems which are both among the poorest school systems and among the lowest achieving school systems, contained in FY07 supplemental appropriations.

20 – OTHER REQUIREMENTS

Local Housing of State Adult Offenders

- Sheriffs and municipalities housing state adult offenders were appropriated \$152.8 million for FY08. A language amendment in House Bill 1 stipulated the per diem rate at \$23.39 instead of \$22.39.

District Attorneys and Assistant District Attorneys

- Provides funding for the second phase of a two-step pay raise for Assistant District Attorneys, raising pay from \$35,000 per year to \$40,000, and provided \$583,440 to fund 17 additional Assistant District Attorneys in various judicial districts throughout the state.

State Aid to Local Government Entities

Additional hurricane disaster recovery funding was provided for FY08, as follows:

- \$6.6 million to the City of New Orleans for the police department for school buses, recruiting efforts, vans, mobile command units, armored vehicles, bulletproof vest, patrol cars, and bonuses for certain newly hired officers.
- \$5 million to certain parishes to replace funding lost under the Revenue Sharing Act formula due to population shifts following Hurricanes Katrina and Rita – Orleans (\$4.2 million); Cameron (\$22,847); Plaquemines (\$155,603); and St. Bernard (\$666,322).
- \$10 million to the Louisiana Family Recovery Corps to assist residents returning home after the 2005 hurricanes.

Supplemental Payments to Law Enforcement Personnel

- Supplemental pay for municipal police, local firefighters, and deputy sheriffs was raised from \$300 per month to \$425 per month. Constables and Justices of the Peace also had their supplemental pay increased from \$75 per month to \$100 per month. The total for supplemental pay for FY08 is \$98.4 million.